



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAC 730.3.B.01/2011-12

December 14, 2011
11-PAC-021(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA
HEADS OF PRINCIPAL STAFF ELEMENTS, HQ, DCAA

SUBJECT: Audit Alert on Performance of Audit Steps to Test Cost Accounting Practices for Compliance with Cost Accounting Standards in Current Audits

This MRD emphasizes existing policy at CAM 8-304.2, requiring consideration of compliance with applicable Cost Accounting Standards (CAS) in every contract audit. Current policy states that a comprehensive audit of compliance with each applicable standard, except for CAS 401, 402, 405, and 406, also shall be conducted once every three years, unless circumstances warrant conducting the audit sooner. However, due to recent changes in workload requirements and other audit priorities, some audits for CAS compliance have not been performed within the three-year cycle. Therefore, auditors are reminded to design audit steps in current audits to support our opinion on whether the contractor's assertion complies with CAS. The scope of the audit steps should be consistent with the auditor's risk assessment based on the specific facts and circumstances associated with that contractor and the contractor's assertion. It is not expected that the auditor perform every step of a given CAS compliance audit but, rather, only those steps associated with costs that are material to the subject matter of the audit.

FAO personnel should direct questions regarding this memorandum to their regional offices, and regional personnel should direct any questions to Accounting and Cost Principles Division at (703) 767-3250 or e-mail: DCAA-PAC@dcaa.mil.

/Signed/
Kenneth J. Saccoccia
Assistant Director
Policy and Plans

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